

Hello everyone and I hope this email finds you well.

“Rally pauses as Israel’s attack on Iran hits stocks.”

This Past week: Stock market rally paused as Israel carried out strikes on Iranian nuclear sites and military facilities/leadership. Iran responded with strikes on Tel Aviv. Israel said the military operation would take 14 days according to news reports. Israel expanded targets over this weekend to include Iran energy assets though has refrained from hitting oil fields or energy export facilities keeping oil well below 52-week highs though rising ~7% last week. No threat to Strait of Hormuz where 20% of global oil passes. President Trump has been calling for Iran and Israel to make a deal though has stopped short of getting the US involved. But news reports also flagging President Trump as a key target for assignation by Iran. Reports said that Iran-backed Houthi militia were hit Sunday. On illegal immigration the DHS is pausing arrests at farms, restaurants, hotels to focus on illegal immigrants with criminal backgrounds as Trump referenced pressure from industry. Separately, a **Boeing (BA)** passenger jet operated by Air India crashed shortly after take-off sending Boeing shares lower. The **S&P500 (-0.4% w/w) fell but held above the 21-day exponential moving average as did the Nasdaq (-0.6% w/w)**. Considering the geopolitical events, the market averages showed impressive strength and remain in a power trend. A power trend signals a more bullish outlook. Likely that the US and China confirming a framework for trade/tariffs helped the market this week as well as inflation reports were cooler than forecast. Annualized May core CPI came in at 2.79%, below 2.9% forecast, holding near March 2.79% and April 2.78% levels and near lowest levels since Mar-2021. Also shows goods not reflecting much tariff impact. The May *NY Fed Survey of Consumer Expectations* showed median inflation expectations fell across all time outlooks with 1-year ahead expectations dropping to by 0.4ppts, to 3.2% and 5-year expectations dropping by 0.1ppt to 2.6%. PPI was softer than forecast on a similar basis and the 2Y yield fell (-9bps, to 3.95%) signaling market pricing in more Fed rate cuts (~70% probability of -50bps, to at least 375-400bps [CME FedWatch - CME Group](#)).

The AI theme remains the key tailwind with hyperscalers committed to outsized capital spending with forecasts up +16% since the beginning of the year (per Bloomberg). In the spirit of the AI theme **Oracle (ORCL)** surged +23.7% on the week on its remaining performance obligations (RPO) being up over 100% in FY26 along with Total and Cloud Infrastructure as a Service (IaaS) to accelerate to +40% and +70%, respectively. More equity market strategists also positive on equity market outlook with **Citi** raising YE target to 6,300, **Morgan Stanley** reiterating 12-month forecast to 6,500, **JP Morgan** raising YE target to 6000, **Goldman Sachs** arguing improvements in data points offering upside support for stocks, and Barclays raising its S&P 500 target based on peak-trade-policy uncertainty

easing. Overall TP has increased 0.9% over the last two weeks to 6660.50 and EPS growth stands at +9.4% for 2025 and +13.6% for 2026. Among stocks within the AI theme Nvidia (NVDA), Broadcom (AVGO), and Taiwan (TSM) have all made big comebacks since the sell-off provoked by Deepseek in late January. Stocks that have made significant moves more recently include **Micron (MU)**, **Advanced Micro (AMD)**, **Arista Networks (ANET)**, **Astera Labs (ALAB)**, **Arm Holdings (ARM)**, **Super Micro (SMCI)**, and **Vertiv (VRT)** that are above 200 daily moving averages and while pausing for now are finding support at 21 day exponential moving averages.

The week ahead: World focus on the Israel-Iran conflict. Retail sales, Industrial production for May, business inventories, NAHB Housing Market Index all due out Tuesday. May Housing starts, jobless claims, and **FOMC meeting and press conference on Wednesday June 18 (Fed widely expected to hold)**. Powell successor expected to be former Treasury undersecretary (2017-2019) David Malpass. Malpass says Fed is **behind the curve**. With respect to the US Federal budget, the Senate is set to work over the “Big Beautiful Bill” so big changes could be on the way. In April the budget was \$258.4B.

Regarding key economic news this week, due out Friday is PCE deflator m/m for April (+0.1% m/m and +2.5% y/y expected).

Stock Market Today/Week: June 13, 2025

Index	Level	Week	
		Day change	Change
S&P 500	5,977	-1.13%	-0.39%
Nasdaq Composite	19,407	-1.30%	-0.63%
Dow Jones Industrial Avg.	42,198	-1.79%	-1.32%

Source: Factset

Technical indicators confirming power trend: Regarding market technical indicators, the Nasdaq fell below the 10-dma but held the 21ema. Both moving averages remain above the 50dma and the 200dma, another positive. The 50dma continues trending positive and final confirmation would be for it to cross above the 200dma.



MARKET SURGE BY INVESTOR'S BUSINESS DAILY

Sectors mostly higher today: Materials leading (XLB, +1.04%) as well as Energy (XLE, +1.03%). Financials (XLF, -0.5%) lagging. Magnificent Seven (MAGS, +0.7%) and Semiconductors (SMH, +1.9%) both advancing. Risk indicators mixed: **IBD 50 ETF (FFTY, -0.05%), ARK Innovation ETF (ARKK, 1.3%).** Among Infrastructure sub-sectors most are modestly lower. **Constellation Energy (CEG, +1.4%) and Taiwan Semiconductor (TSM, +1.3%)** showing strength. Last week **Credo Technology Group (CRDO, +19.7%)** surged on earnings and guidance that beat by wide margins. **Marvell Technology (MRVL, 13.6%), Vistra Corp (VST, +8.1%), Vertiv Holdings (VRT, +6.9%), Comfort Systems (FIX, +6.8%)** all also very strong. **Ciena (CIEN, -9.2%)** lagged last week on earnings despite an impressive y/y +56% earnings increase as it missed expectations that were even higher.

The bull-bear debate

Bulls pointing to US-China talks putting trade/tariffs back on positive track and China would supply critical rare earth minerals and magnets. The Jul 9 reciprocal tariff deadline could be extended for countries negotiating in good faith per Trump and Sec Treasury Bessent. Cooler inflation data than forecast for the fourth consecutive month in May showing limited signs of tariff impact and inflation expectations in NY Fed survey down across all time outlooks. The cooler inflation and expectations driving lower interest rate expectations. AI growth narrative received a strong jolt with Oracle guidance for accelerating Infrastructure as a service to surge to 70% growth for Cloud and RPO up over 100%. Trump-Musk, arguably the two most important people in the world patched up their

public disagreements. Walmart said shoppers still spending despite stretched budgets. NFIB Small Business Index rose more than forecast in May, breaking a streak of four straight months of declines.

The bears highlighting surge in geopolitical conflict as Israel attacked Iran's nuclear and military compounds and killed senior military leaders and nuclear scientists. Oil prices spiked as much as 13% before settling at a 7% increase Friday. China limiting rare earth export licenses to six months and lack of details from the US-China trade/tariff talks. Trump signaling potential for auto tariffs to go higher. Future Fed chair uncertainty back in play with Trump comments on replacing Powell soon. Continuing jobless claims hit highest levels since late 2021 suggesting the Fed is late once again on rate action. Boeing under pressure again following India airline crash. Apple WWDC showed lack of any meaningful announcements on AI. US equity outflows of \$10B for week ended 11June, the largest in nearly 3 months.

Risks: Easy to forget the ongoing risks while the markets are in a confirmed rally. Markets could fall once again on a Truth Social post from the President. Over the last decade the forward multiple on the S&P500 has averaged just below 20x. Assuming the current 2025E EPS of \$264 and 2026E EPS of \$300 are correct, then the market is trading on the rich side (22.4x 2025E EPS and 19.7x 2026E EPS). However, with an effective tariff rate still over 16%, even with the pause, EPS estimates could wind up in the \$250s range implying low 5000s on the S&P500. If the multiple comes down at all to discount for policy uncertainty would imply further downside risk. Numbers get sloppier if there is retaliation instead of resolution on the horizon. The Trump put that we saw last month suggests a 4800s downside threshold to the S&P500 except it wasn't the S&P500 that triggered the Trump put but instead it was interest rates on US Treasury Securities that were blowing out at that time with an increase in the US 10 year of 51bps.

Company Events Calendar: No earnings of consequence due out.

What to do now: Raising exposure.

Appendix:

What kind of positive technical confirmations for a power trend per IBD ("Webby's rules"):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).

4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.
6. Close above 50 day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

In the current rally as of 6/15/2025 every condition has been met except #14.

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